GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:6088
ANSWERED ON:05.05.2000
REGIONAL RURAL BANKS
MOINUL HASSAN AHAMED

Will the Minister of FINANCE be pleased to state:

(a) whether the Government have received any proposal from Ail India Regional RuralBank`s Employees Association for National Rural Banks;

(b) if so, the action taken thereon, so far; and

(c) the views of the Government regarding restructuring of Regional Rural Banks?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL):

(a) Yes, Sir.

(b) and (c) After considering a number of alternative models including creation of National Rural Bank of India (NRBI), it was decided to revamp Regional Rural Banks (RRBs)on a `Stand alone` basis by way of infusion of additional capital for cleansing of balance sheets of selected RRBs. Out of 196 RRBs, 187 have been covered under recapitalisationProgramme and an amount of Rs. 2188.42 crore including Government of India share of 50% has been provided to these RRBs. Of 187 RRBs, 158 stand fully recapitalised whereas 29 RRBs have been partially recaptiaiised. Apart from recapitalisation of RRBs several otherpolicy changes have been initiated to facilitate strengthening and revitalising RRBs. The main features are as under:

(i) Introduction of Development Action Plan and Memoranda of Understanding (DAPs/MOU)on an annual basis for bringing improvement in the performance of the RRBs in a plannedway and introduction of prudential norms covering income recognition, assets classification and provisioning norms;

(ii) Diversification of business portfolios and activities;

(iii) Increased avenues for investment of surplus Non-SLR funds;

(iv) Rationalisation of branch net-work including relocation and merger of loss making branches;

(v) Deregulation of interest rate structure;

(vi) Providing greater role to the sponsor banks in management of the affairs of RRBs.